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# Forest Resource Strategies for Rural Development



# FOREST RESOURCE STRATEGIES FOR RURAL DEVELOPMENT

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Midwest Research Institute (MRI) is a private, not-for-profit research institute with a long history of involvement in social, economic, environmental, technical, and political issues of importance to the midwestern United States. For the past 6 years, MRI has been heavily involved in technical assistance, consulting, and research in rural economic development. To date, the research portion of these activities has been exclusively funded by the U.S. Economic Development Administration (EDA) in the Department of Commerce. This agency was among the first to invest in rural economic development research through grants to outside contractors, support which resulted in the first sourcebook on rural economic development (Thomas, 1987); the first extensive set of success stories in small rural communities (Thomas, 1988); a guidebook on improving utilization of rural industrial parks (Stark et al., 1988); and a portfolio of 20 successful rural community college initiatives in rural economic development (Thomas, 1989). This year, we completed a guidebook for EDA entitled "Recouple--Natural Resource Strategies for Rural Economic Development" (Thomas, 1990).<sup>2</sup>

## BACKGROUND ON RECOUPLE

Some background on why we proposed *Recouple* to EDA is in order, because our reasoning reflects in part some of the greatest barriers to rural renewal which are still facing our country. Our research between 1986 and 1989 led us to observe that a new rural development philosophy was taking shape which was apt to be a key to future success in many rural areas. The new approach did not seek to repeat traditional industrial recruitment strategies. It also went beyond business expansion and retention programs. Instead, it seized upon the uniqueness of existing rural resources to uncover new enterprise opportunities. The historical dependence on the natural resource base that is the common denominator for most rural areas--indeed, the phenomenon that makes for "ruralness"--was not regarded as a liability but rather as an opportunity.

One reason that rural areas have had difficulty in the past capturing their resource potential is that economic development in rural areas has long been weakened by a sharp division of energies and visions. On the one side, we have traditional organizations such as chambers of commerce, local and regional development groups, industrial development commissions, and areawide planning organizations. This side has been preparing plans and strategies to strengthen the retail and commercial sectors of rural communities and to recruit new businesses and industries. I will refer to these as the "town community." At the same time, we have a long history of producer-oriented assistance to the rural land-based operators, those farmers, ranchers, forest owners, and others who live "in the hinterlands" outside the existing communities. Those who own land in rural areas--the farmer, rancher, forest landowner, and others--have traditionally not been regarded as small business owners in the same way that Main Street business and new industries have been regarded. In fact, there typically has been very little interface between community development organizations and the land-based operator. Instead, the land-based operator has turned to the cooperative extension service and state departments of agriculture for producer-oriented assistance exclusively.

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<sup>2</sup>For a list of these publications and their prices, write to Ms. Thomas at the address above, or phone 816-753-7900, Ext. 438, and ask for Rita Roche.



The result of this division has been the dilution of efforts on both sides. The community leaders do not regard their outlying areas as part of their economic resources in the same way they do their businesses and industries. The land-based operator is not regarded as a small business owner, for example. And farmers, ranchers, and other landowners have, in effect, been excluded from the community mechanisms for economic development such as chambers of commerce or development groups. County political battles are often drawn as the outlying areas, suspicious of the motives of the town community, seek to keep power from accumulating to much with the incorporated areas.

This is a disturbing barrier to growth and innovation that is all too frequent in rural areas. The path being taken by community-based development organizations, chambers of commerce, and the economic development community is usually separate from the "survival techniques" being tried with farmers, ranchers, and other landowners in the rural hinterlands but outside the trade centers. There is still not enough realization of the necessity to pool resources for regional development activities. Local and even regional development organizations are only at the earliest stages of creating effective strategies to make the most of one of the single most important physical assets of rural area--its natural resources. Very few technical assistance materials exist in the "traditional" economic development literature to show rural areas how to approach local economic development with a focus on natural resource-based strategies.

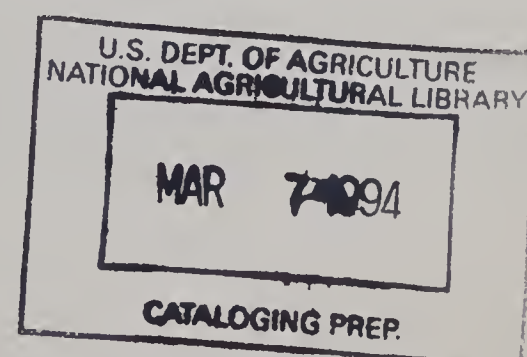
Another reason community-based economic development organizations do not usually focus on natural resource-based strategies is because it is often assumed that the "old" natural resource primary industries--agriculture, forestry, mining, fishing--are part of the rural problem. And, in one sense, they are--rural areas have paid a price for an overdependency on any one aspect of the resource base when changes in global demand, or technological change, or resource depletion have radically altered the industry and thereby the rural economy. But urban America has endured trauma from overdependency of a few industrial sectors as well. And rural communities overly dependent on a single type of manufacturing industry--textiles, for example--have been caught in the same trap. Lack of diversification--failing to support a broad base of employment and income-generation sectors--has been at the heart of the problem.

EDA concurred with this assessment, and the result was *Recouple*. It is a publication designed to help rural areas begin to weave natural resource-based new enterprise development into a rural county or regional strategy for achieving economic stability and vitality.

## TWO NOTES OF CAUTION

Two notes of caution are needed here. One, a rural area should not focus on natural-resource-based new business growth to the exclusion of all other strategies. What is needed is a broad-based approach. But within that broad approach, equal attention needs to go toward helping landowners organize their efforts and providing business counseling, technical assistance, and capital to potential natural-resource-based enterprises as is given to local community development efforts. We must foster an environment in rural areas that allows small entrepreneurs to grow "in the countryside" as well as in the rural towns. To do this will require bringing a regional approach to strategic planning for economic development and weaving additional key players--the owners of the natural resource lands and traditional technical assistance providers from state and Federal levels--more effectively into the process.

Second, natural resources are a key asset for rural economic development. But any decision that does not take into account the need to ensure their renewability through a sustainable use strategy is indeed short-sighted. Resource conservation and management, not exploitation, are the keys to long-term sustainability of not only the natural resource base but the very fiber of our rural economies. "Ecological economics" must come to guide our decisions on our resources, and development must not become a substitute for stewardship.



## WHY RECOUPLE?

We chose to call our publication *Recouple* because of the increasing use of the term "uncoupling" among economists. One example of the uncoupling phenomenon that is often stated is the separation of the primary goods economy--chiefly agriculture products, forest products, metals, and minerals--from the industrial economy. In other words, the rise or fall of the primary goods sector no longer seems to have much impact on the vitality of the industrial sector and vice versa. This is chiefly because by far most of the value of the final products we use is added to the primary product from further processing or management. Thus, value-adding strategies have come to be viewed as critical components of rural economic development efforts, and the documentation of materials and techniques by which rural community leader, public officials, development specialists, and local and regional organizations can add value to natural resource-based enterprises will allow areas to recouple their primary natural resource assets with their economic engines.

## FOCUS ON FOREST RESOURCES

Let us consider just one subset of natural resources--forest resources. What are some examples of strategies that regional rural groups are pursuing to utilize their forest resources more effectively? These include organizing for resource-based economic development and conservation, targeting value-added processing, encouraging development and marketing of alternative forest-based products and services, enhancing productivity, strengthening marketing, promoting technology transfer, and improving local human capital.

1. Organizing for resource-based economic development and conservation: The organization of rural region to capture a greater share of its natural resource potential is a key to success. One of the best examples of a working organizational strategy is that of the Adirondack North Country Association (ANCA) in northern New York State. Throughout the 14 counties of the ANCA region, many villages and towns are now prospering since ANCA began its work 30 years ago. ANCA considers itself a regional "private sector catalyst" and works to unify the energies of the region's agencies, communities, businesses, and institutions. Its efforts strengthen the region's economy through private sector initiatives which create and retain jobs, increase goods and services sold in the region, and market agricultural and natural resources, crafts, and other products produced in the region.

ANCA's concern for economic development is matched by an equally strong commitment to preserve natural resources; support educational, cultural, and historic assets; and advance the quality of life within the region. This areawide association works with a structured five-point program. The five-point program targets natural resources, agriculture, economic development, services and culture, and tourism.

The goal of the ANCA's Natural Resources Committee is to stimulate economic development through:

- a. Organization of wood producers and wood products manufacturers.
- b. Promotion and marketing of local forest products, new wood products, and manufacturing facilities.
- c. Education of landowners about effective woodland management.
- d. Improvement of the coordination between state agencies and local needs.

Several of ANCA's projects involve assistance to Resource Conservation Districts in the region.

In the absence of a progressive regional public/private organization for economic development, forest specialists can still contribute a great deal to any existing development organization if they are adequately prepared. Such preparation means being able to take the initiative to teach community leaders the following:



- Why should a rural area pursue forest and wildlife resource development?
- How are resources "out there" going to help people in town get jobs.
- How does an area find out how much economic development potential there is in its forest and wildlife resources?
- How should a local group get started, whom do they need to contact, and what kinds of forestry and wildlife information will they need to compile?
- What kinds of projects could a local group undertake?

*Recouple* provides a question/answer format on these questions and is a good starting point for forest resource specialists charged with entering the rural development arena.

2. Targeting value-added processing: Traditionally, most attention has been given to ways to increase the recruitment or start-up of secondary wood processing in an area.<sup>3</sup> The development or conversion of underutilized industrial parks to forest industry parks is one such strategy. Such parks put an emphasis on the vertical integration of many wood-related small businesses, with both primary and secondary manufacturing occurring at the same location. It is hoped that, with increased attention to this alternative, cost-effective ways to add value to forest resources will result. Considerable discussion is given the forest industry park strategy in *Recouple*.

A forest industry park is a very sophisticated undertaking, of course. On a more modest scale, specialty wood products are generally an option for an existing or new secondary wood processing firm, because most of the capital investment and equipment are likely in place. Specialty wood products would include virtually anything made from wood. Wooden toys, unique wooden furniture designs, wood fencing, etc., are a few examples of many possible products. Forest resource professionals can help small local secondary wood processing firms study the marketplace. What kind of specialty wood products are in greatest demand? Can these wood products be produced locally (preferably using local raw materials at a lower price)? Can the product be produced without major retooling and new machinery at an existing plant (lower capital investment)? Keep in mind that value can be added through greater production efficiency.

3. Targeting alternative goods and services from the forest resource: Diversification using forest lands for new business opportunities is an important strategy. Technical assistance providers have begun to develop materials on alternative crops (e.g., pine straw, mushrooms, Christmas trees, tree seedling nurseries, firewood, specialty wood products), and alternative forest-based services (e.g., forestry vendor services, recreation fee hunting and leasing, game farms, and shooting preserves). These materials are seldom known to the local economic development professionals, however. Sources of "how-to" assistance are given in *Recouple* for some of these goods and services.

4. Enhancing productivity: Simply improving timber and forest land productivity, while not a "quick fix," is important to economic development in rural areas. Such a program could accomplish several things:

- a. Landowners benefit because the greater volume of timber they grow, the more they will have to sell. In some cases, improved regeneration practices result in the difference between virtually no timber sales within the lifetime of the owner to frequent sales that realize substantial income per acre.

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<sup>3</sup>See, for example, "Success Stories" in *Wood Products Manufacturing and Forest-Resource-Based Economic Development*, compiled and edited by John E. Bodenman, Stephen B. Jones, and John A. Stanturf, available for \$8 per copy from the Hardwoods Development Council, School of Forest Resources, Penn State University, 110 Ferguson Building, University park, PA 16802.

- b. More intensive management and conservation activities on forest lands create a demand for vendor activities. Equipment operators (for site preparation), tree planters, timber harvesters, forestry consultants, and others will eventually have additional work. In some cases, the amount of work involved will be sufficient to create additional jobs.
- c. The increased availability of raw materials can make the difference in attracting or starting up a new wood industry which would in turn add value to the forest resource.
- d. Increased forest management activities typically utilize federal and state cost share funds, thereby transferring these funds back into the rural economy.
- e. Dollars generated by increased activity from all the above sources multiply within the local community.
- f. Applied management and conservation techniques are beneficial to many species of wildlife. As wildlife habitat improves, the value of the land for wildlife-related recreation increases.

An example of an organization working to improve productivity through better forest management is the Western Upper Peninsula Forest Improvement District in Michigan. This pilot project was designed to upgrade forest management services and promote an increased harvest under quality forestry plans, with a long-term goal of more wood processing. Since its beginnings in 1985, the district has signed up 573 members and 145,000 acres. Since their program began, they have produced 1,186 management plans for a wide range of sizes of private forest lands. Nearly \$1 million in timber sales were recorded between 1987 and 1989. The District has also assembled a 256-acre industrial site, plus optioned lands.

5. Strengthening marketing: Many economic development programs still look to forestry specialists primarily to assist with marketing primary wood products. In east Tennessee, markets for low-grade hardwood timber are one goal that the East Tennessee Regional Development District has set for itself. Their Forest Products Council is seeking to market the area to particleboard, waferboard, or composition board industries; or to the door and window industry that would use some of the area's soft hardwoods. The council is also seeking to upgrade the position of the forest industry within the state's strategic plan for economic development. It has been very successful in getting this recognition.

Often, it is only through a forest products organization that rural areas are able to develop enough political clout to achieve changes in state and Federal legislation. Generally, small-scale primary producers in rural areas lack understanding of the workings of the larger industry or market of which they are a part. Small-scale producers can benefit from marketing organizations that educate them concerning their roles in and the value of their products to the larger economy. Such efforts are often the first toward reaching "critical mass" for value-added processing, marketing, and political action to point out inequities in state and Federal funding programs. Such inequities can place rural areas at a distinct disadvantage to their urban counterparts; forest product organizations help move an area onto a "level playing field."

There are a number of organizational arrangements that can make great contributions to marketing forestry products (and wildlife recreation on forest lands):

- a. County associations. The best example is a county forestry association or county forest landowner association. Collectively, groups of landowners controlling large acreages can provide some credibility to local assurances of the availability of raw materials to prospective industries. Many southeastern states in particular have well-functioning county groups of forest landowners and other supporters of forestry. These groups can contribute a great deal to the promotion of better forest management. In some cases these groups are affiliated with state forestry associations. They will always be interested in ideas to add value to the local forest resources.



b. Landowner cooperatives. Individual forest landowners with relatively small acreages may not be able to attract timber buyers because the volume of wood involved is not significant. Collectively, however, the volume of wood from many owners may be large enough to supply a wood yard or other type of wood processing plant. There are many examples of farmer cooperatives that have been developed to market various crops throughout the country. Formation of landowner cooperatives to promote and market forest products or wildlife recreational opportunities is a strategy worthy of consideration.

If a community is made up of many small acreage ownerships, consideration should be given to organizing a forest landowner cooperative. A cooperative allows the landowner members to collectively have a sufficient supply of certain wood products to attract the attention of markets. The organization of the cooperative can be a very loose or restrictive arrangement, but all landowner members should be willing to make some specific commitment of certain wood products from their land. Total timber volume data can be determined by a professional forester. Scheduling of harvest with proper forest management principles can allow cooperative representatives to have to have a certain guaranteed supply of wood to use as leverage in contacting wood products companies.

c. Land management aggregates. A land management aggregate is a concept similar to a landowner cooperative. Aggregates can be a very flexible approach to managing small ownerships to enhance timber and wildlife production. All landowners within the area must be willing to participate, and local leadership within the group is critical to its success.

Aggregating many small ownerships into one large contiguous block opens many opportunities.

(1) Land can be managed more efficiently.

(2) Hunter access and law enforcement (e.g., for poaching problems, etc.) can be more easily controlled.

(3) Aggregates can justify consulting services by forest and wildlife management professionals. Small acreage owners can benefit from professional advice and assistance that they otherwise could not afford.

(4) Large acreages are generally more valuable and in more demand for leasing and fee hunting.

6. Promoting technology transfer: Awareness of new technology is vital to economic development. Industry clubs offer one mechanism to promote technology transfer. Clubs could be the route to identifying potential investments for additional processing of certain wood products by existing industries, and greater production efficiency through improved management, personnel management, quality control, machinery maintenance, raw material procurement, publicity, and safety. Holding meetings at the local level will provide opportunities for smaller producers and the labor force of larger employers to attend educational meetings that they would otherwise never attend. This concept could provide a valuable communication link between university level researchers and grass-roots level producers. The concept is applicable to a variety of products and services. The concept is basically a series of regular meetings for producers or service providers of similar interest.

7. Improve local human capital: In the competitive lumber manufacturing organization, fewer employees with more sophisticated machines are processing more wood products in order to compete in a global market. New machines, including computers and sophisticated hydraulic equipment, require new skills. Forest specialists can promote economic development in rural areas by working directly with existing wood-related businesses to encourage employers to promote employee training.

One company's response to the need to invest in local human capital comes from the tiny town of Glendale, Oregon, where in 1987, a quality control supervisor at Gregory Forest Products (GFP), a sawmill and plywood plant in tiny Glendale, became aware that some of the 400 employees were virtually illiterate. Alarmed at this, the owner revised the company policy to be certain the mill would no longer hire anyone without a high school diploma. He emphasized his support for education by offering \$500 scholarships to Glendale's graduating high school seniors who went on for postsecondary education. A literacy class in the plant seemed the next logical step, and GFP formed a partnership with the area community college to establish a multimedia Learning Skills Center in the mill to provide individualized instruction.

Industry clubs or associations can be effective vehicles to initiate programs to upgrade skills. Such efforts will become more and more critical as the information age requires entrepreneurs to compete in the global marketplace using advanced communications systems and niche marketing.

## CONCLUSION

The selection of forest resource strategies for rural economic development will depend on many factors. Consideration must be given to (a) the type, quantity, quality, and ownership of the forest resource, (b) the market potential for more or improved productivity in primary or secondary processing in the area, and (c) the market potential for alternative goods and services from the forest resource. But equally important, consideration must be given to the history of regional cooperation for economic development in the area. New and creative ways to link the natural-resource-based entrepreneurs to more traditional economic development efforts should be near or at the top of any action plan for forest resource specialists.